2/24/87 C0175-1

American Banker

The Daily Financial Services News

VOL. CLII NO. 36 Monday, February 23, 1987

155389000015 8/15/05 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

TODAY

NEWS MONDAY

WEEKLY REVIEW AND OUTLOOK — Pull Out Section Starts on Page 11

INSIGHT: Investors in U.S. bank stocks believe that bigger is not necessarily better, as the latest *American Banker* quarterly survey of market capitalizations of the nation's largest banking firms shows..... 11

Index of the Week's Top Stories... 22

People..... 21

WASHINGTON MONDAY

Pages 12-13

BRIEFING: Ever since the Democrats swept to victory in November, Sen. William Proxmire has been staging a full-court press on the nonbank-bank issue. The financial services industry will find out in 10 days how well the Wisconsin Democrat has played the game... 12

CAPITAL PEOPLE: George Kaufman and Lawrence Connell chair a group of second guessers..... 12

YES, BUT . . . : The ABA has given conditional support to Sen. Proxmire's banking package..... 13

CLOSING INNER-CITY BRANCHES discriminates against low-income consumers, a study finds..... 2

WELLS FARGO CHAIRMAN Carl E. Reichardt speaks on expansion into Southern California and thrift acquisitions..... 2

CHASE MANHATTAN reviews its bank charter and finds it wanting...2

CROSSLAND SAVINGS begins to-move 'cross country as it acquires a thrift with offices out West..... 2

THE IRA WILL BE RECAST in a new light after April 15..... 3

COMMUNITY BANKS still offer valuable experience for young bankers, writes Dr. Paul S. Nadler..... 4

MONETARY GROWTH HAS reached such an extreme level that correcting the excess will involve significant economic cost, according to H. Erich Heinemann..... 6

MAJOR PROVISIONS of the Competitive Equality Banking Act of 1987 sponsored by Banking Committee Chairman William Proxmire is summarized on..... 15

PORTABLE SERVICES KIOSKS are being installed by Bank of America..... 32

Calendar of Events..... 7

Executive Changes..... 23

Global People..... 23

In the News..... 3

Memory Bank..... 4

Proxmire Postpones a Vote On His Omnibus Banking Bill

By JAY ROSENSTEIN
Washington Bureau

WASHINGTON — Chairman William Proxmire of the Senate Banking Committee has postponed a committee vote on his omnibus banking bill for another week, an additional sign that the legislation in its present form may be in trouble.

The Wisconsin Democrat had planned to have the committee vote on the bill on Wednesday of this week. After a meeting Thursday with committee members, the chairman now has set a March 5 date for considering the bill and likely amendments to it.

Provisions of the Proxmire bill include:

- A $7.5 billion short-term recapitalization plan for the ailing Federal Savings and Loan Insurance Corp.
- Emergency powers to permit federal regulators to merge failed and failing banks across state lines.
- Closing a loophole in banking law that has permitted the growth of limited-purpose nonbank banks.
- Giving banks the right to underwrite revenue bonds, mortgage-backed securities, and commercial paper, and to distribute mutual funds.
- New limits on check-hold periods.
- A section extending the conservatorship authority of the National Credit Union Administration.

Mr. Proxmire organized a combination pep rally-press conference Friday to discuss the bill and make another push for closing the nonbank-bank loophole. Following his brief remarks, representatives of several financial, consumer, and small-business groups that oppose nonbank banks spoke

Panel: Page 31 ➡

Hallwood Group Relied on Cairns And Perseverance to Win BancTexas

By DAVID LaGESSE
Southwest Bureau

DALLAS — The Hallwood Group Inc., a New York-based merchant banking firm, had to overcome the initial skepticism of both the BancTexas Group and federal regulators before successfully structuring a bailout of the financially strapped bank holding company last week, according to negotiators involved in the deal.

They cited three factors that brought the deal to a close: the perseverance of Hallwood; an unusual transaction that appealed to regulators; and the behind-the-scenes efforts of James G. Cairns, a prominent banker now working for Hallwood.

Regulators announced a tentative agreement last Thursday that would bring $150 million in federal assistance to BancTexas, as well as $50 million in new capital through a stock offering by Hallwood.

The agreement ended nine months of sporadic negotiations involving Hallwood, BancTexas, and the Federal Deposit Insurance Corp. With some $1 billion in assets, BancTexas owns 11 subsidiary banks — several of which stood on the brink of failure before the deal was struck with Hallwood.

"It was the persistence of Hallwood that kept this deal alive," said Margery Waxman, a Washington attorney who represented BancTexas in the negotiations.

Hallwood: Page 30 ➡

More Problems For Thrift with Regulator Link

Lincoln Savings' Profits Decrease Sharply in 1986

By ROBERT LUKE
West Coast Bureau

LOS ANGELES — The thrift holding company that has come under fire in Washington for its business ties to a member of the Federal Home Loan Bank Board is facing new problems closer to home.

Last week, the American Continental Corp. and its principal subsidiary, the Lincoln Savings and Loan Association, Irvine, Calif., both reported sharply lower profits in 1986 from a year earlier.

Lincoln, whose officials have opposed many of the Bank Board's policies, has financed the business deals of one of the agency's newest members, Lee Henkel. That relationship is under scrutiny by congressional committees to which falls the task of confirming Mr. Henkel for the job.

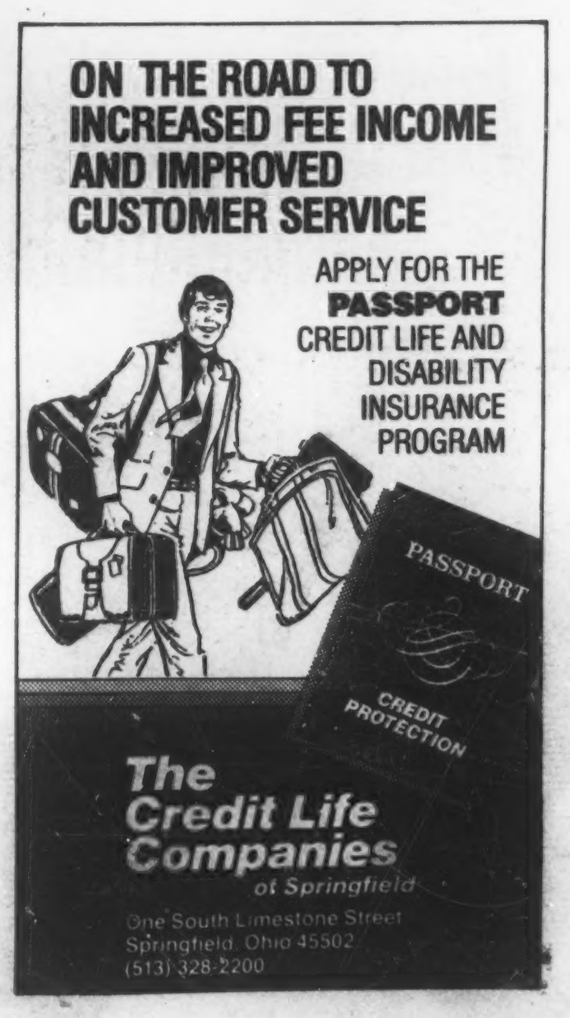
The controversy heated up last fall when Mr. Henkel proposed relaxing the Bank Board's limits on direct investments. Lincoln is heavily involved in direct real estate and other investments.

American Continental, based in Phoenix, blamed the drop in 1986 profits on an extraordinary loss of $6.6 million, or 53 cents a share, from premiums paid and deferred issue expenses written off because of the early retirement of about $214 million of higher-rate debt.

No officials of either American Continental or Lincoln, which is based in Irvine, Calif., could be reached for comment.

Thrift Problems: Page 31 ➡

THE BRANCH AUTOMATION SYSTEM TO BUY IF YOU REALLY WANT TO SELL.
In today's fiercely competitive financial market, you need to design new financial products, get them to market fast, and sell them harder than your competition.
And that's what the Financial Tower™ System is all about.
For complete information phone 1-800-CALL NCR.
NCR
Financial Tower is a trademark of NCR Corporation.
© 1986 NCR Corporation.


ON THE ROAD TO INCREASED FEE INCOME AND IMPROVED CUSTOMER SERVICE
APPLY FOR THE PASSPORT CREDIT LIFE AND DISABILITY INSURANCE PROGRAM
PASSPORT
CREDIT PROTECTION
The Credit Life Companies
of Springfield
One South Limestone Street
Springfield, Ohio 45502
(513) 328-2200

Branch Cuts Seen Hurting Minorities

By LAURA GROSS

NEW YORK — Closing inner-city bank branches discriminates against low-income, black, and Hispanic consumers, according to a report just released by the Community Training and Resource Center, a consumer advocacy group that investigated closings in New York City from 1977 to 1984.

"Branch closings disproportionately occurred in lower-income neighborhoods and neighborhoods where blacks and Hispanics are in the majority," said a press statement issued by the organization. It found that most branch openings were in the suburbs.

The report comes down hard on New York State and federal regulators, calling for greater government concern and more regulation of branch banking issues.

Margaret Stix, author of the report, warned in an interview Friday that "the situation could get worse in light of additional branch closings to occur this year, particularly by Chase Manhattan Bank, which has announced that they will close up to 50 branches in 1987."

Ms. Stix said 89% of closings during 1977-84 were done by commercial banks, mostly Chase, with 39% of that total; Manufacturers Hanover Trust Co. with 25%, and Citibank, with 22%. The closings occurred during a time of extreme hardship for savings institutions, which nonetheless shut far fewer branches than commercial banks.

Among the charges and recommendations included in the 101-page analysis are:

• State government response to the branch closings issue has been inadequate. The Banking Department has failed to maintain an accurate inventory of branch services or even to keep an accurate list of branches that have closed.

• Federal regulators have failed to respond credibly to the branch closing phenomenon.

• New York State supervisory proce-

Branch Closings: Page 18 ➤

Corrections

The record date for Fleet Financial Group Inc.'s two-for-one stock split was incorrectly reported in the Feb. 12 "In the News" column (page 3) due to an erroneous press release. The correct date is March 15, 1987.

□

A table on mutual-to-stock conversions of thrift institutions on Feb. 13 (page 9) gave an incorrect location for Standard Federal Bank. The institution is located in Troy, Mich.

□

The table "Who's Who in Video Banking Nationwide" on page 8 of the Feb. 2 issue showed incorrectly that California First Bank planned a video banking service using the Princeton TeleCom system. The bank says it has no relationship with Princeton TeleCom. Also, it does have a telephone bill paying service in its San Diego region, which the table did not indicate.

□

Sovran Financial Corp., Norfolk, Va., had the ninth best return on average assets in 1986 among the nation's superregional banking firms. Sovran was inadvertently omitted from a summary table identifying the top 10 superregionals in 1986 ROA. (Feb. 10, page 14.) ■

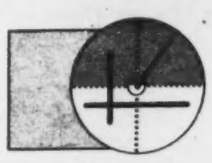
Wells Chief Sings Praises of California

Reichardt Stumps for Firm to Be Viewed as Regional Bank

By NINA EASTON
West Coast Bureau

LOS ANGELES — The San Francisco-based Wells Fargo & Co. wants to expand its presence in southern California, possibly by purchasing savings and loans, Carl E. Reichardt, Well's chairman and chief executive officer, said last week.

However, Mr. Reichardt said that a new Federal Savings and Loan Insurance Corp. policy of imposing an "exit fee" on thrifts that leave that agency's fund, which insures savings and loans and federal savings banks, may make S&L acquisitions too expensive for Wells.


Corporate Strategy

Banks that acquire thrifts typically convert them to commercial banking subsidiaries that are insured by the Federal Deposit Insurance Corp. But FSLIC officials are fearful that the departure of healthy thrifts will further weaken the ailing insurance fund, and the agency has begun charging stiff exit fees. This policy has been ruled illegal by one federal court.

Mr. Reichardt spoke at a financial industry conference sponsored by San Francisco's Montgomery Securities. He confirmed that Wells Fargo had considered buying one of several large insolvent thrifts in California that are now operating under the purview of the federal government. But, he said, Wells has not put forward a bid on any of those institutions.

"We've looked at acquiring a failing institution in another state as a trade" that would enable Wells to buy a healthy thrift here, Mr. Reichardt added. However, he indicated that no progress had been made on that initiative.

In a wide-ranging talk to securities analysts on Thursday, Mr. Reichardt also reiterated his strategy of focusing on the California market at a time when competitors are moving across state borders. He did not, however, rule out the possibility of acquiring an out-of-state bank when regional interstate banking comes to California in July.

Mr. Reichardt has maintained a low profile as the head of the $4.6 billion-asset bank holding company, and it is only infrequently that he makes public his views. But the Wells Fargo chairman provided a number of candid insights into his company's strategy:

• Wells Fargo will emphasize its personal trust operations. Mr. Reichardt indicated that Wells Fargo's planned purchase of BankAmerica's personal trust operations for $100 million would not be the company's last acquisition in that area. "As a business, we are finding [personal trust] much more attractive as time goes on, particularly with the econo-

Wells Fargo: Page 26 ➤

But Butcher Says Chase May Not Remain a Bank at All

By ROBERT TRIGAUX
Washington Bureau

WASHINGTON — For Chase Manhattan Corp. chairman Willard Butcher, the more his bank looks at its charter, the less interesting it becomes.

"If we won't be Chase Manhattan Bank, we'll be Chase Manhattan Securities Corp.," the Chase executive said here last week.

Mr. Butcher's remarks brought up to date the public warning first issued last October by Chase president Thomas G. LaBrecque that the New York bank holding company was studying the idea of dropping its bank charter. Mr. Butcher, in town to lobby U.S. senators for expanded banking powers, told a gathering of the business press that thus far Chase's review of its charter was not promising.

"The more we study it, the less we find it of interest to be a bank."

Chase Manhattan Corp. is the third largest U.S. banking company, with $95 billion in assets at the end of last year. It is one of several large bank holding companies that say they are examining ways to restructure without a bank charter — and without the accompanying regulatory restrictions. Citicorp and J.P. Morgan & Co. are among the money center banks that are at least considering the costs and benefits of such a reorganization.

Mr. Butcher chose to quantify the benefits for Chase. "We earned $585 million as an institution [last year]," he said, with a large percentage of earnings coming from Chase's credit card and foreign exchange operations. If it had not been a bank, Chase would have earned between $595 million and $600 million, he said. Thus, banking functions "cost" Chase $10 million to $15 million, according to Mr. Butcher.

Chase would prefer to remain a bank, but will be forced to get out of the business if it cannot fully participate globally in fast-growing securitization and other businesses. "The profit in our business is in that," he said.

Mr. Butcher cited Japan's Nomura Securities, West Germany's Deutsche Bank, and Wall Street's Salomon Brothers as competitors of Chase. "Our clients are going to people" such as these, he said, who can offer the widest services.

Mr. Butcher's arguments are not new, but Chase is increasingly going public to make these points, reflecting the intense frustration among senior banking officials who feel their companies are losing ground to investment banks and foreign financial firms.

It also is a political message to Congress and bank regulators that Chase and other banking companies may someday peddle their services as diversified financial firms if their U.S. banking charters do not become more valuable than they are now.

Mr. Butcher visited Capitol Hill to express these views and to endorse the first round of Senate Banking Committee Chairman William Proxmire's banking legislation. None of the congressmen Mr. Butcher visited shared his "way of thinking," he said.

The Chase executive also elaborated on his Feb. 19 letter to Sen. Proxmire endorsing the Senate banking legislation. The omnibus bill, among other things, would help recapitalize the Federal Savings and Loan Insurance Corp., require the disbanding of nonbank banks not established by July 1983, and give new securities powers to commercial banks.

On Friday, sources said some provisions of the Proxmire bill — including the grandfather dates for nonbank banks and mutual funds powers for banks — may be changed before the scheduled March 5 markup by the Senate Banking Committee.

Chase: Page 26 ➤

CrossLand Takes Steps to Live Up to Its Name

By MARK BASCH

NEW YORK — When the Metropolitan Savings Bank became CrossLand Savings FSB in 1985, it said the change reflected "both achieved and projected geographic expansion."

But the New York savings bank had confined its retail operations to the East Coast until last week, when it began to move "cross land" with an agreement to acquire a thrift with offices in four western states.

CrossLand announced an agreement in principle to acquire the troubled Western Savings and Loan Co., a $400 million-asset thrift based in Salt Lake City. In addition to Utah, Western has branches in California, Oregon, and Washington.

CrossLand already operates a mortgage banking subsidiary based in Salt Lake City. The thrift acquired First Security Realty Services Corp. from First Security Corp. last summer for $37 million in cash. The unit, renamed the CrossLand Mortgage Corp., has offices in 12 states.

Besides New York, the $10.1 billion-asset CrossLand has retail offices in northern Virginia and Florida. "We want to be a nationwide presence," said CrossLand vice chairman Frank A. Dellomo.

In a recent interview, CrossLand chairman Luke A. Baione hinted that the thrift soon would undergo its long-planned geographic expansion. "We're looking now at acquisitions both within the industry and outside the industry," he said. "They would put the bank in a unique position compared with any other thrift, and even compared with other commercial banks."

In New York, CrossLand is dwarfed by the money center banks, but Mr. Baione feels that it can escape that shadow by expanding outside the city. "Visualize us in New York and we're not a giant. Visualize us around the country and we're the 42d largest [financial institution]," he said.

CrossLand needed capital to expand. It raised $116 million by converting from mutual to the stock form of ownership in October 1985. "From a management point of view, the simplest type of operation to have is a mutual," Mr. Baione said. "If you want to grow and expand the operation, you're going to have to go that route [conversion]."

CrossLand also raised capital in 1985 by selling its mort-

CrossLand: Page 31 ➤